

SENATE BILL NO. 499

INTRODUCED BY ESSMANN, BALES

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING A 15-YEAR REDUCED COAL SEVERANCE TAX RATE FOR PRODUCTION FROM A NEW MINE OR INCREASED PRODUCTION FROM AN EXISTING MINE FOR COAL TO BE USED IN A COAL GASIFICATION FACILITY THAT SEQUESTERS CARBON DIOXIDE OR AN INTEGRATED GASIFICATION COMBINED CYCLE FACILITY THAT SEQUESTERS CARBON DIOXIDE; PROVIDING THAT THE COLLECTIONS FROM THE REDUCED TAX RATE, AFTER THE ALLOCATION TO THE COAL TAX TRUST FUND, BE ALLOCATED TO THE SCHOOL FLEXIBILITY ACCOUNT; AND AMENDING SECTIONS 15-35-103, 15-35-108, AND 90-6-1001, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-35-103, MCA, is amended to read:

"15-35-103. Severance tax -- rates imposed. (1) A severance tax is imposed on each ton of coal produced in the state. Subject to subsection (4), the rate of the tax is determined in accordance with the following schedule:

Heating quality	Surface	Underground
(Btu per pound of coal):	Mining	Mining
Under 7,000	10% of value	3% of value
7,000 and over	15% of value	4% of value

(2) "Value" means the contract sales price.

(3) A person is not liable for any severance tax upon 50,000 tons of the coal that the person produces in a calendar year, except that if more than 50,000 tons of coal are produced in a calendar year, the producer is liable for severance tax upon all coal produced in excess of the first 20,000 tons.

(4) (a) The following production THAT PORTION OF THE PRODUCTION FROM A NEW OR EXISTING MINE THAT IS USED IN FACILITIES DESCRIBED IN 15-6-157(1)(H) OR (1)(K) is subject to taxation at a rate that is one-half of the applicable SURFACE OR UNDERGROUND MINING RATE[, BUT NOT TO THE AUGER MINING] rate established in subsection (1):

(i) the production from a new mine if at least 50% of the production of the coal produced by the mine is

~~used in facilities described in 15-6-157(1)(h) or (1)(k):~~

~~—— (ii) the increased production of coal produced by an existing mine if the production of coal is used in facilities described in 15-6-157(1)(h) or (1)(k):~~

(b) In order to qualify for the reduced rate under subsection (4)(a), the taxpayer must apply for the exemption. In order to qualify AS A NEW MINE under subsection (4)(a)(i), the taxpayer must have made an application for a coal strip mine or coal underground mine under Title 82, chapter 4, part 1, by June 30, 2017. An application under subsection (4)(a)(ii) must be made prior to June 30, 2027. A qualifying taxpayer is entitled to the reduced rate under this subsection (4).

(c) For the purposes of subsection (4)(a)(ii), new production is production that is in excess of the average production of the mine in the previous 3 years.

(d) (i) An exemption under subsection (4)(a) is effective on the first day of the next fiscal quarter AND TERMINATES IN 15 YEARS ON THE LAST DAY OF THE FISCAL QUARTER.

(ii) The ~~exemptions~~ EXEMPTION under ~~subsections (4)(a)(i) and (4)(a)(ii)~~ continue SUBSECTION (4)(A) CONTINUES if the number of tons of production necessary to qualify for the exemption in the first year ~~de~~ DOES not decrease."

Section 2. Section 15-35-108, MCA, is amended to read:

"15-35-108. (Temporary) Disposal of severance taxes. Severance taxes collected under this chapter must, in accordance with the provisions of 17-2-124, be allocated as follows:

(1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article IX, section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under 17-6-203(6) and invested by the board of investments as provided by law.

(2) All collections after the allocation made pursuant to subsection (1) that are the result of coal taxed under the reduced rate in 15-35-103(4) must be allocated to the school flexibility account established in 20-9-542.

~~(2)(3)~~ (3) The amount of 12% of coal severance tax collections is allocated to the long-range building program account established in 17-7-205.

~~(3)(4)~~ (4) The amount of 5.46% must be credited to an account in the state special revenue fund to be allocated by the legislature for provision of basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national networking, conservation districts, and the Montana Growth Through Agriculture Act. Expenditures of the allocation may be made only from

1 this account. Money may not be transferred from this account to another account other than the general fund.

2 Any unreserved fund balance at the end of each fiscal year must be deposited in the general fund.

3 ~~(4)~~(5) The amount of 1.27% must be allocated to a permanent fund account for the purpose of parks
4 acquisition or management. Income from this permanent fund account, excluding unrealized gains and losses,
5 must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas
6 described in 23-1-102.

7 ~~(5)~~(6) The amount of 0.95% must be allocated to the debt service fund type to the credit of the renewable
8 resource loan debt service fund.

9 ~~(6)~~(7) The amount of 0.63% must be allocated to a trust fund for the purpose of protection of works of
10 art in the capitol and for other cultural and aesthetic projects. Income from this trust fund account, excluding
11 unrealized gains and losses, must be appropriated for protection of works of art in the state capitol and for other
12 cultural and aesthetic projects.

13 ~~(7)~~(8) The amount of 2.9% must be credited to the oil, gas, and coal natural resource account
14 established in 90-6-1001.

15 ~~(8)~~(9) After the allocations are made under subsections ~~(2)~~ (3) through ~~(7)~~ (8), \$250,000 for the fiscal
16 year must be credited to the coal and uranium mine permitting and reclamation program account established in
17 82-4-244.

18 ~~(9)~~(10) (a) Subject to subsection ~~(9)~~(b) (10)(b), all other revenue from severance taxes collected under
19 the provisions of this chapter must be credited to the general fund of the state.

20 (b) The interest income from \$140 million of the coal severance tax permanent fund that is deposited
21 in the general fund is statutorily appropriated, as provided in 17-7-502, on an annual basis as follows:

22 (i) \$65,000 to the cooperative development center;

23 (ii) \$1.25 million for the growth through agriculture program provided for in Title 90, chapter 9;

24 (iii) \$3.65 million to the research and commercialization state special revenue account created in
25 90-3-1002;

26 (iv) to the department of commerce:

27 (A) \$125,000 for a small business development center;

28 (B) \$50,000 for a small business innovative research program;

29 (C) \$425,000 for certified regional development corporations;

30 (D) \$200,000 for the Montana manufacturing extension center at Montana state university-Bozeman;

1 and

2 (E) \$300,000 for export trade enhancement. (Terminates June 30, 2010--sec. 6, Ch. 481, L. 2003.)

3 **15-35-108. (Effective July 1, 2010) Disposal of severance taxes.** Severance taxes collected under
4 this chapter must, in accordance with the provisions of 17-2-124, be allocated as follows:

5 (1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article IX,
6 section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under
7 17-6-203(6) and invested by the board of investments as provided by law.

8 (2) All collections after the allocation made pursuant to subsection (1) that are the result of coal taxed
9 under the reduced rate in 15-35-103(4) must be allocated to the school flexibility account established in 20-9-542.

10 ~~(2)(3)~~ The amount of 12% of coal severance tax collections is allocated to the long-range building
11 program account established in 17-7-205.

12 ~~(3)(4)~~ The amount of 5.46% must be credited to an account in the state special revenue fund to be
13 allocated by the legislature for provision of basic library services for the residents of all counties through library
14 federations and for payment of the costs of participating in regional and national networking, conservation
15 districts, and the Montana Growth Through Agriculture Act. Expenditures of the allocation may be made only from
16 this account. Money may not be transferred from this account to another account other than the general fund.
17 Any unreserved fund balance at the end of each fiscal year must be deposited in the general fund.

18 ~~(4)(5)~~ The amount of 1.27% must be allocated to a permanent fund account for the purpose of parks
19 acquisition or management. Income from this permanent fund account, excluding unrealized gains and losses,
20 must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas
21 described in 23-1-102.

22 ~~(5)(6)~~ The amount of 0.95% must be allocated to the debt service fund type to the credit of the renewable
23 resource loan debt service fund.

24 ~~(6)(7)~~ The amount of 0.63% must be allocated to a trust fund for the purpose of protection of works of
25 art in the capitol and for other cultural and aesthetic projects. Income from this trust fund account, excluding
26 unrealized gains and losses, must be appropriated for protection of works of art in the state capitol and for other
27 cultural and aesthetic projects.

28 ~~(7)(8)~~ The amount of 2.9% must be credited to the oil, gas, and coal natural resource account
29 established in 90-6-1001.

30 ~~(8)(9)~~ After the allocations are made under subsections ~~(2)~~ (3) through ~~(7)~~ (8), \$250,000 for the fiscal

year must be credited to the coal and uranium mine permitting and reclamation program account established in 82-4-244.

~~(9)(10)~~ All other revenue from severance taxes collected under the provisions of this chapter must be credited to the general fund of the state."

Section 3. Section 90-6-1001, MCA, is amended to read:

"90-6-1001. Oil, gas, and coal natural resource account. There is an oil, gas, and coal natural resource account in the state special revenue fund. The collections allocated to the account from 15-35-108~~(7)~~(8) and 15-36-331(2)(b) must be deposited in the account."

COORDINATION SECTION. SECTION 4. COORDINATION INSTRUCTION. IF SENATE BILL NO. 292 IS NOT PASSED AND APPROVED, THEN THE BRACKETED LANGUAGE IN [SECTION 1 OF THIS ACT] AMENDING 15-35-103(4)(A) IS VOID.

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